

# Virginia Commission on Electric Utility Regulation

Thursday, January 20, 2011, 5:00 p.m.  
3rd Floor West Conference Room, General Assembly Building  
Richmond, Virginia

## Agenda

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- I. **Welcome & Call to Order**  
*Senator Thomas K. Norment, Jr.*
- II. **Implementation of the Virginia Electric Utility Regulation Act**  
*Staff, State Corporation Commission*  
*Meade Browder, Office of Attorney General*  
*Wes Russell, Office of Attorney General*
- III. **Overview and Update**  
**Appalachian Power Company**  
*Joseph Jones, Director External Affairs*  
*Richard D. Gary, Partner, Hunton & Williams*  
**Dominion Power**  
*James K. Martin, Senior Vice President of Regulatory Affairs*
- IV. **Legislation for Discussion and Recommendation**
  - **HB 2117, Armstrong**
  - **SB 883, Reynolds**

**Electric utility regulation.** Reinstates much of the system under which investor-owned electric utilities were regulated prior to 1999. The measure repeals the Virginia Electric Utility Regulation Act and reenacts provisions relating to State Corporation Commission (SCC) ratemaking, including provisions addressing the recovery of fuel and purchased power costs, that existed prior to the 2007 legislation that re-regulated most of Virginia's investor-owned electric utilities. Existing provisions of the Virginia Electric Utility Regulation Act pertaining to ratemaking for electric cooperatives, to net energy metering, to consumer education programs, and to interconnections by farms are relocated to other chapters in Title 56. Rate adjustment clauses approved by the SCC will remain in effect as set forth in an enactment clause.

- **SB 882, Reynolds**
- **HB 2118, Armstrong**

**Electric utility regulation.** Rebundles charges for the transmission, distribution, and generation services into the base rates of investor-owned electric utilities and revises the system enacted in 2007 by which rates of investor-owned electric utilities are to be set. The measure restores the State Corporation Commission's authority to set the utility's authorized rate of return on equity at a level that reflects the utility's risk, allows the utility to attract capital, and will be fair to ratepayers. Existing provisions of the Virginia Electric Utility Regulation Act that establish

floors on a utility's rate of return based on returns reported by peer group utilities in other Southeastern states are repealed. Other provisions (i) eliminate the ability of a utility to earn a margin on operating expenses for energy efficiency programs; (ii) limit the incentive for participation in the renewable energy portfolio program to an additional 50 basis points above the otherwise-available rate of return on new renewable energy generation facilities, in lieu of the existing provision that grants participating utilities a 50 basis point increase in its rate of return on all of its equity; (iii) authorize the Commission to increase the allowed return on equity for certain investments by up to 200 basis points for a period between 5 and 25 years based on the risk of the project, in lieu of the existing provision that establishes incentives with specific ranges and durations based on the type of project; (iv) require the Commission to consider all rate adjustment clause petitions in single annual proceedings in order to limit the number of rate increases; (v) provide that costs recoverable through rate adjustment clauses may be deferred and paid from earnings from other sources, in order to ensure that rates are not increased to recover such costs when the utility is overearning through its base rates; (vi) permit the Commission to extend the period for its review in cases by up to nine months, provided that the utility may place its proposed rate increase in effect subject to refund at the end of the original period; (vii) direct that a utility that has earned more than a fair rate of return in a biennium, after crediting the overage to deferred amounts under rate adjustment clauses, shall credit the overage to customers; (viii) eliminate a provision that limits the Commission's authority to lower a utility's rates to cases where the utility has earned more than 50 basis points above a fair rate of return for two consecutive biennia; and (ix) delete provisions requiring stand-alone determinations of income tax costs in ratemaking proceedings.

➤ **HB 1736, Pollard**

**Electric utility rates; added returns.** Eliminates provisions of the Virginia Electric Utility Regulation Act that authorize investor-owned electric utilities to earn added basis points and other performance incentives that would increase the utility's fair combined rate of return on common equity above the rate determined by the Commission in biennial rate review proceedings. Currently, such utilities are authorized to earn performance incentives and enhanced rates of return on common equity if they satisfy performance standards, make certain investments in generation facilities, and successfully participate in a renewable energy program.

**Members**

The Honorable Thomas K. Norment, Jr.  
The Honorable John C. Watkins  
The Honorable Richard L. Saslaw  
The Honorable L. Louise Lucas  
The Honorable Terry G. Kilgore

The Honorable Robert Tata  
The Honorable Timothy D. Hugo  
The Honorable William R. Janis  
The Honorable Kenneth R. Plum  
The Honorable James M. Scott

**Staff**

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